

**MEMORANDUM**

**TO: Town of Natick and Walker Consultants**  
**FROM: Barry Abramson**  
**SUBJECT: Phase 1 Real Estate Evaluation for Middlesex Parking Deck Study in Natick Center**  
**DATE: March 15, 2018**

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**Executive Summary**

Following are key conclusions of our evaluation of real estate market, development potential, relevant parking demand generation, and potential real estate tax revenues that could be spurred by construction of a parking deck on the Middlesex lot:

- A lack of ample on-street (or attractive off-street) parking proximate and visible to potential patrons is a concern for existing and potential additional retail use.
- An upper level of additional supportable retail space for the foreseeable future could be 10,000 – 20,000 square feet, generating additional parking demand.
- Owners and occupants of office space express concern about insufficient availability of permits and occasional unavailability of spaces in lots for which they have permits.
- The most apparent opportunity for additional office space is the ballroom in the Clarks Block, which could be redeveloped for 20,000 square feet if parking could be provided under acceptable terms and conditions. This could yield an estimated \$28,000 of annual real estate taxes.
- Development of a new office building would depend on an anchor tenant (or owner-user) choosing to locate in Natick Center at or above current prevailing market rents as well as suitable parking being available.
- The availability of parking capacity in an appropriate facility would put Natick Center in position to capitalize on such an opportunity should it arise.
- Residential (multi-family rental buildings and for-sale townhouses) is the dominant use for new development in Natick Center and comparable suburban town centers.
- New multi-family rental development typically requires 1.25 – 1.3 parking spaces per unit, with at least one per unit on-site. Remaining spaces might be shared use off-site, if very proximate (preferably adjacent), professionally managed, safe and clean.
- For the most part, sites proximate to the Middlesex Deck site that are appropriate for significant multi-family development are already built out to a density of 1.0 FAR or more with property values above what could be supported by new development, making their redevelopment unlikely for the foreseeable future.

- A possible exception is the group of private properties immediately west of the deck site where development could potentially be catalyzed by the deck, assuming operating conditions conducive to residential shared parking. Our analysis indicates an assemblage of just under an acre, accommodating 45 units in four floors or 57 units in five floors could yield estimated net new annual tax revenue of \$87,000 to \$118,000, with prospects for feasibility increasing with density and height.
- The privately-owned sites north of Middlesex Avenue and west of Spring Street, if redeveloped, are likely to be developed primarily for townhouses, with all parking on-site, and therefore not realize a direct benefit from the deck.
- If the Town considers its public parking expansion needs to be satisfied by the Middlesex Deck, the South Avenue lot could be redeveloped. A five-story project with 100 units over podium parking accommodating most or all of the current number of public spaces plus residential parking may be financially feasible, given the Town's ability to write down land price and provide partial tax abatement to offset the cost of structured public and private parking. Net annual taxes after abatement are estimated at \$33,000 with 150 public spaces and \$156,000 with 100.
- If the number of units were to be limited to that allowed under the density cap with a waiver – 78 units (based on five floors) or 62 units (based on four floors), the project would not be able to support 150 public spaces, even with full abatement. At 100 public spaces, net taxes would be estimated at \$68,000 or \$4,000, respectively.
- Alternately, an approach with shallow townhouses or single-loaded multi-family apartments along South Avenue with surface parking including approximately 100 public spaces might have a comparable economic effect to the City as that of the multi-family with podium scheme at 100 units and 100 public spaces.
- Existing buildings, even if not redeveloped, should benefit from a significant addition to public parking supply, providing sufficient permit parking for office users in an improved facility as well as freeing up some on-street spaces for retail use.
- If reduced vacancies and increased rents yield a 10% increase in real estate taxes of affected properties within 500-feet of the deck, it would generate \$24,000 of additional annual real estate tax revenue. This impact could ripple out from this primary impact area, yielding some additional tax benefit.
- Net new annual real estate taxes that could be generated by the development identified above and value enhancement to existing buildings within a primary impact area catalyzed by construction of the Middlesex Deck are estimated to be approximately \$200,000 – \$300,000, which might be increased by value enhancement beyond the primary impact area and other (re)development over time.
- If the deck includes liner space on Middlesex Avenue, a 30-foot depth would balance activation of the street frontage with minimizing leasing risk and intrusion on parking area. To the extent the keystone portion of the site is not required for parking spaces or access, it would be appropriate for small infill development.

## **Scope and Approach**

This memorandum summarizes our evaluation focusing on real estate market, development potential, relevant parking demand generation, and potential real estate tax revenues that could be spurred by construction of a parking deck at the Middlesex lot in Natick Center.

Research included interviews with property owners, developers, realtors, and town staff knowledgeable about market and development conditions in Natick Center and comparable areas and review of assessment information, past studies and other input provided by staff. This information was integrated with the consultant's knowledge of the market and experience with comparable projects to formulate conclusions about real estate market conditions and prospects, land utilization/build-out capacity, development economics, and tax implications relevant to the proposed parking deck and the real estate impacts it could catalyze.

## **Market and Parking Implications**

### **Retail**

Rents for retail space in older buildings with frontage on Main Street are reported to be approximately \$25 per square foot on a gross (full service) basis for space with limited allocated on-site parking spaces and to average in the low-\$20's per square foot gross for space without on-site parking.

Rents for retail space in new buildings with frontage on Main and West Central Streets are reported to be leasing for approximately \$25 per square foot triple net (reported to be equivalent to approximately \$30 gross) for space without allocated on-site parking. Rents assume delivery of space in warm gray shell condition plus a minimal finish allowance.

There is currently significant vacancy in ground floor commercial space, with as many as nine vacant tenant spaces, though leases have reportedly been secured for nearly half these spaces and two other unleased spaces are in buildings nearing completion for which the lease-up process is underway.

In terms of retail leasing potential for existing and possible additional space, Natick Center has the advantages of a compact, walkable historic town center, including a concentration of town-wide administrative buildings, the Morse Library, the TCAN performing arts center, a town common which hosts various events, and offices of financial institutions and smaller companies.

A lack of ample on-street (or attractive off-street) parking immediately proximate and visible to potential retail patrons is a concern. The nature and scale of potential retail tenancy in Natick Center is also limited by very strong proximate competition from the Natick Mall (Collection), abundant strip retail on Route 9, and a formidable town center retail cluster in Wellesley Center. These competitive areas along with industry trends compressing demand

for brick and mortar retail locations, work against attracting national or regional comparison merchandise, food, and convenience retailers to Natick Center.

Given Natick Center's attributes and competitive position, the primary opportunity for additional leasing is restaurant, which is considered to be under-supplied relative to potential. Additional demand for space could come primarily from independent and start-up specialty retailers (e.g. crafts, consignment apparel, and the like), experiential retail (e.g. painting, knitting), and service-oriented tenants such as salons or other health and beauty establishments or real estate offices.

Potential development of additional residential and/or office use in the Center could generate demand for additional retail but the amount of such potential development and the demand its users would generate likely would not be of a magnitude to dramatically expand the nature or scale of potential leasing.

Based on potential demand, the nature of what types of retail would consider Natick Center a viable location, and the availability of sites that would be attractive for retail use that are not already in that use, we consider a realistic upper level of potential additional retail space for the foreseeable future to be somewhere in the range of 10,000 – 20,000 square feet, generating additional parking demand. Optimally, these spaces and those serving existing retail use, would be located on-street or in proximate, visible, clean, safe parking facilities.

### **Office/Upper Floor Space**

Upper level space in older buildings in Natick Center without allocated on-site parking is reported to be leased primarily to small office tenants at rents in the mid- to high-teens per square foot, primarily on a gross basis. The low end of the range reflects art-oriented tenants and the higher end of the range more traditional office users (e.g. small law, accounting, creative firms) and service providers such as massage therapists. Additional office space in Natick Center is occupied by owner-users such as Middlesex Bank.

Building owners and occupants express some concern about insufficient availability of permits and occasional unavailability of parking in lots for which they have permits, typically at mid-day, as well as the condition and perceived safety in the evening of the Middlesex lot.

If upper level space (and common areas accessing it) were to be substantially improved, it might reasonably be expected to command rents in the low-\$20's gross, assuming the availability of proximate parking to support it.

The most apparent opportunity in Natick Center to provide additional upper level space is the approximately 10,000 square feet of former ballroom space located on the third floor of the Clarks Block. This double-height space could be redeveloped for two floors, yielding approximately 20,000 square feet of space. The property owner has stated that significant

additional, dedicated proximate parking would need to be made available to rationalize investment in such a redevelopment.

Class A office space in the Natick market (primarily in locations such as Speen Street and Route 9 with easy access to the regional highway system and suburban retail and restaurant concentrations) is reported to lease at \$30 per square foot, gross.

Over the past few years, many office tenants have increasingly come to appreciate office locations in walkable, mass transit-served urban environments as a means of attracting a millennial workforce. This likely has helped to close the gap in appeal and attainable pricing between Natick Center and traditional suburban office locations for comparable space, assuming adequate parking.

While still not likely to attract a mass market of office tenants, a new office building in Natick Center might realistically target rents in the high \$20's, gross. However, such development would depend upon the vagary of an anchor tenant (or owner-user) choosing to locate in Natick Center and committing to occupy most of the space at or above prevailing market rents as well as a significant amount of convenient parking being accessible.

Class A suburban office space typically provides free on-site parking at a ratio of 4 spaces per 1,000 square feet. The availability of transit in Natick Center might reduce this requirement to 3.5 or even, possibly, 3 per 1,000 square feet. Different office users would have varying requirements for how this demand would be supplied – whether all or some of the parking would be required on-site and, if off-site, on a committed basis, as opposed to simply available. It is likely that they'd expect at least 2 spaces per 1,000 square feet either on-site or, if off-site, on a dedicated basis in a very proximate location – say no more than one block away, to be safe, clean, and well-managed, and that there'd need to be confidence in availability of any spaces lacking long term commitment.

Even at a rent of \$30 per square foot gross (say low-\$20's, triple net), the financial feasibility of new office development would be problematic. Accordingly, while such development is possible, without being able to count on the “extra-market” decision-making of individual space users, it cannot be assumed to be likely to occur in the foreseeable future. Nonetheless, the availability of parking capacity would, at least, put Natick Center in position to capitalize on such an opportunity should it arise.

Current town permit pricing of \$325 per year is considered a marginal cost. A parking facility which is safe, clean, and well-managed, could rationalize some increase in cost; and an even greater cost increase could be supported if spaces were to be provided on a dedicated basis. However, at, say 3 spaces per 1,000 square feet, each \$100 increase in annual parking cost is equivalent to \$0.30 per square foot of rent or occupancy cost, which, if borne by tenants, could partially impact increased rent that availability of ample parking could support.

## **Multi-Family Residential**

Three current or recent projects represent development of multi-family rental apartments (with ground floor commercial space) in Natick Center. 31 South Main Street is new construction of 32 units with 4,000 square feet of retail space supported by surface parking. 13 West Central (the former American Legion Building) is essentially new construction (reportedly initiated assuming the benefit of historic tax credit financing, which did not materialize). This project includes 11 residential units and approximately 7,500 square feet of retail space with below-grade and surface parking. 11 South Avenue is redevelopment of upper level space in an older three-story building with off-site parking across the street.

Pricing indicated by these projects and others outside Natick Center, such as Modera Natick and Avalon Natick, indicates attainable pricing for new projects hovering around the mid-\$2.00's per square foot per month, with the Legion project reported to be striving to push the market toward \$3.00 per square foot, which has yet to be borne out by the market.

Pricing in the mid-\$2.00's, or even the high-\$2.00's, generally is insufficient to support new multi-family development with structured parking and typical market land costs sufficient to incentivize transactions.

New multi-family rental development in a transit-oriented suburban location such as Natick Center would require adequate parking (1.25 – 1.3 spaces per unit) to secure financing and successful marketing. Generally, at least one space per unit would need to be provided on-site for the sole use of residents. The additional spaces might be located off-site and could be shared use, but would need to be very proximate (preferably adjacent) and to be professionally managed, safe and clean, and for such condition to be assured for the long-term future.

Based on these parameters, publicly managed parking likely would have limited ability to leverage new residential development. If proximate public parking were to be professionally managed and this could be assured for a long term, it could potentially leverage such development.

The market and financing standard with regard to location and control of parking is generally more flexible for rental apartments developed as a reuse of upper floors in older buildings. This is indicated by the 11 South Avenue project which has off-site parking that it controls. Other cities such as Salem, MA have seen residential reuse supported by off-site public-parking. The availability of ample well-managed, safe, and clean public parking could enable such projects to proceed assuming other elements of their development economics make sense.

Whether new development or reuse of upper levels of existing buildings, the Town's zoning requirement that a parking mitigation fee of \$20,000 per space be paid for relief from on-

site parking requirements with no space dedication would limit the feasibility benefit of publicly developed addition to parking supply.

For sale/ownership housing in Natick Center is represented by 20 South Avenue, a multi-family (apartment/"flats" style) project with in-building parking, and the townhouses at 42 – 54 South Avenue, with units having one in-building space, supplemented by surface parking.

The former project was developed into the teeth of the market downturn ten years ago and was reportedly taken back by the bank. There have not been more recent examples of new development of this type in Natick Center or environs.

Townhouses are a product that continues to enjoy strong market appeal and favorable development economics, the latter thanks to lower construction cost, high net/gross space efficiency, and the ability to fit onto smaller or more dimensionally constrained sites. Assessed values (which should closely track market value for for-sale real estate) for market rate townhouse units at 42 – 54 South Avenue are in the mid-\$500,000's (\$330's per square foot) for units with 1,647 square feet of finished area plus one in-building parking space and unfinished attic space.

For new development of for-sale residential (outside high demand urban core locations), whether in multi-family flats or townhouses, there is generally an imperative for parking to be on-site and fully controlled by the unit owner or project. Accordingly, construction of additional public parking generally would not be anticipated to have a catalytic impact on such development.

## **Development Potential and Potential Impact of Middlesex Deck**

### **New Development**

At present, the dominant use for new development in Natick Center and comparable suburban town center locations is residential. This takes the form of multi-family rental buildings (with ground floor commercial in appropriate locations) and for-sale townhouses.

Sites of a given size vary in terms of dimensions and other characteristics; and various building configurations, unit mix/size, and parking arrangements can impact attainable build-out. Financial feasibility, supportable land cost, and acquisition costs may vary based on these and other factors. Accordingly, the parameters discussed in this section should be regarded as ballpark, range of reasonableness estimates for illustrative purposes, recognizing that the program, design, and financial characteristics of actual developments and transactions may vary as a function of the particulars of specific projects, transaction participants, and fluctuations in market conditions. Calculation of density, supportable land cost, and real estate taxes are presented in the exhibits at the rear of this memorandum.

At maximum heights allowing 4 or 5 floors, multi-family projects with surface parking generally can be built to an FAR<sup>1</sup> of approximately 1.0 – 1.25, yielding approximately 40 to 50 units per acre, assuming market-based residential parking supply on-site and minimal or no commercial space.

If developed with above-grade podium parking, site capacity might be increased to an FAR of approximately 1.5 – 1.75 with approximately 60 – 75 units per acre (and more with below-grade parking), assuming market-based residential parking supply on-site, minimal or no commercial space, and relief from the 60% site coverage maximum to accommodate a podium, if not for Natick’s Mixed-Use District zoning residential density cap restrictions.

Application of the residential density cap limits the number of units that can be developed. For a single use residential project with four residential floors, the cap formula yields a maximum of 42 units per acre, which can be increased to 46 units per acre with a Planning Board waiver. For a single use residential project with five residential floors, the cap formula yields a maximum of 52 units per acre, which can be increased to 58 units per acre with a Planning Board waiver. Accordingly, the density cap likely would not impact the number of units that could be developed in a stand-alone multi-family project with surface parking but would reduce the number of units that could be developed in a multi-family project with podium parking below that possible based on physical capacity.

Assuming supportable acquisition cost for a project with surface parking in the range of \$50,000 per unit<sup>2</sup> – the approximate per unit price paid for the 31 South Main project site (after adjusting for commercial space) and within the range market sources report for comparably located suburban TOD multi-family sites, a supportable land cost for a project with surface parking might be \$2.0 - \$2.5 million per acre, depending on maximum height of four or five floors, as well as required setbacks and other factors.

The considerable hard cost premium of providing podium versus surface parking (in the \$30,000’s per space), even with some supplemental surface parking, could likely offset the land value attributable to the additional units made possible by this approach. Therefore, the density and land pricing assumed for a stand-alone project with surface parking, generally, would be the more reasonable, conservative assumption.

To the extent proximity and management conditions enable such a project to benefit from public parking for parking above 1.0 space per unit, enabling a decrease in on-site parking, the FAR and number of residential units that could physically be accommodated might increase to approximately 1.25 FAR and 50 units per acre at four floors and 1.5 FAR and 60 units per acre at five floors, increasing supportable land cost to approximately \$2.5 and \$3.0 million per acre, respectively, (assuming no capital cost or mitigation fee attributed to

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<sup>1</sup> References to FAR (floor area ratio) are exclusive of parking; references to number of floors include parking podium for projects in which that is assumed. Number of floors used for calculation of residential density cap may be subject to differing interpretation

<sup>2</sup> This is not an appraised value but is considered a reasonable target for illustrative purposes

parking above one per unit that would be satisfied by shared parking in the public facility) and prior to application of the residential density cap. Applying the density cap, even with the waiver, would limit the number of units per acre to 46 at four floors and 58 at five floors, lowering estimated supportable land cost to approximately \$2.3 and \$2.9 million per acre, respectively (assuming the above-noted parking assumptions).

This sets a constraint on redevelopment of many sites in Natick Center that might be assumed to be under-developed. For the most part, sites or groups of sites large enough and appropriate for significant new multi-family development are already built out to a density of 1.0 FAR or more and/or have assessed values per acre at or above the high end of the supportable land cost range. Supportable land cost might well have to exceed assessed value to incentivize new development of such sites, given: the Town Assessor aims to be somewhat below market value (targeting 95% of market value, and property owners would be expected to petition for revaluation if AV is over market value, but don't if its undervalued); assemblage of sites under multiple ownership to create sufficiently large sites for development typically entails cost premiums over market value as well as considerable additional effort; and demolition and, possibly, other site cost premiums would add to the cost.

To the extent supportable land cost falls short of site acquisition and land development cost, significant improvement in market conditions and/or Natick Center's competitive position might improve prospects over time.

**Middlesex West Properties.** The only significant privately-owned site close enough to the Middlesex Deck site considered to have strong potential to be directly catalyzed by the construction of the deck is the group of parcels immediately to the west of the deck site.

Excluding the two smallest of the five parcels (43 and 45 Summer Street), which are densely improved with two-family residential buildings and have very high AVs per acre, the remaining three parcel assemblage would yield a site of almost one acre with an assessed value of approximately \$2.3 million. This assessed value is above the estimated \$1.95 million supportable land cost for a stand-alone four-story (39-unit) project that could be physically accommodated on the site, though the estimated \$2.45 million supportable land cost for a 5-story (49-unit) project could make assemblage marginally feasible if that height were allowed.

If the deck's parking operating conditions were to be conducive to providing shared parking for the multi-family project's parking demand over one space per unit, the site could physically accommodate a 49-unit project at four stories, which would be reduced to 45 units based on the density cap with waiver, indicating a \$2.25 million supportable land cost. This would be just below the amount required to support site acquisition at the \$2.3 million assessed value of the assemblage, though close enough, given the preliminary nature of the estimation, to be within range of viability. A five-story, 57-unit project (allowed under the density cap with waiver) with shared parking in the deck for parking above one space per

unit, supporting an estimated \$2.85 million land cost, would appear to have a strong prospect for supporting acquisition at the assessed value and other land costs.

It is noted that a five-story height might require variance or flexible interpretation of zoning. Alternately, prospects for feasibility of a four-story building could be enhanced to the extent it is possible to allow a marginal increase to the number of units above that allowed with waiver under the density cap or through provision of some form of public assistance such as a relatively small tax abatement.

The above redevelopment scenarios ranging from a four-story, 45-unit project to a five-story, 57-unit project could yield annual real estate taxes<sup>3</sup> ranging from an estimated \$117,000 to \$149,000 with a corresponding increment of \$87,000 to \$118,000 over current tax revenues.

**Barlycorns Property (21 Summer Street).** The approximately 10,000 square foot property occupied by Barlycorns and a dry cleaner could present another option for inclusion in an assemblage, or for a small infill project, or for integration with the deck. While the density and assessed value are relatively low, there are concerns about significant additional environmental cost stemming from use for dry cleaning. This would need to be further assessed to determine whether it would be a worthwhile acquisition either by the Town for the deck or by a developer for private development.

**Property North of Middlesex Avenue and West of Spring Street.** Other privately-owned sites proximate to the proposed Middlesex Deck, should they be redeveloped, are considered more likely to be developed for use – primarily townhouses, that would not realize much, if any, benefit from or be directly catalyzed by construction of the parking facility.

In the case of the property across Middlesex Avenue from the proposed Middlesex Deck (between Main and Spring Street), the relatively shallow depth of the site between the street and railroad tracks would be more conducive to townhouses (perhaps with a more public-oriented use, such as retail on the small site fronting Main Street). The property on the western side of Spring Street may also be more appropriate for townhouse development, given its fringe location relative to the Natick Center core and its bordering a low-rise residential neighborhood.

As discussed previously, for-sale townhouse development would not be expected to gain significant benefit from development of the public parking, as marketing considerations generally require all parking on-site.

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<sup>3</sup> All real estate tax estimates are based on FY 2018 tax rate

The improvement of the parking lot with an attractive parking structure, lined with active use, could have an indirect impact by enhancing the environment for development of these sites for townhouse or other use.

**South Avenue Lot.** The South Avenue lot could turn out to be a major development beneficiary of constructing a parking facility on the Middlesex site. If the Town feels that its public parking expansion needs are fully satisfied by the added supply in the Middlesex Deck, then the South Avenue site could be redeveloped for a private project, including replacement of all or a portion of the public parking currently located there.

If the current number of public spaces (approximately 150) were to be retained in a new development, it would be likely that this 1.35 acre site might physically accommodate a project of approximately 100 units with podium parking within five floors, including podium parking (possibly supplemented by a smaller portion below grade) for 100 dedicated residential spaces plus the approximately 150 public spaces. Such a project would generally be along the lines of what was proposed in response to the Town's 2015 RFI except with less parking and five rather than six stories. The 100 units would equal 74 units per acre which is higher than the number of units allowed under the residential density cap even with a waiver which would be 78 units (at 58 units per acre) for five floors and 62 units (at 46 units per acre) for four floors.

The Town's ability to write down land price in combination with abatement of a portion of real estate taxes and, possibly, reduction of the number of public parking spaces to be replaced on-site could put such a project in the range of feasibility.

A 100-unit project could generate an estimated \$261,000 of new real estate taxes. The combination of the cost premium for private structured parking and the contribution of public parking would exceed the supportable land cost, requiring tax relief for feasibility. If the project were to include 150 public spaces, an estimated \$228,000 would be required to be abated, yielding net tax revenues of \$33,000. If the number of public spaces were to be limited to 100, a 100-unit project would require an abatement estimated at \$105,000, yielding estimated net tax revenues of \$156,000.

If the number of units were to be limited to the number allowed under the density cap with a waiver, yielding 78 units (based on five floors) or 62 units (based on four floors), the project would not be able to support 150 public spaces, even with a full abatement. At 100 public spaces, net real estate taxes would be estimated at \$68,000 or \$4,000, respectively.

An alternate approach might be to line the South Avenue frontage with shallow townhouses or single-loaded multi-family apartments with the remainder of the site left as surface public parking – dedicated parking at one per unit adjacent to the residential use and approximately 100 public surface spaces. Such a scheme might have an economic effect to the City comparable to that of the above-noted multi-family with podium scheme at 100 units and 100 public spaces.

**Clarks Block Build-Out.** The primary opportunity for redevelopment of existing buildings catalyzed by a Middlesex Deck is considered to be the 20,000 square feet of new office space that could be built out in the two-story height former ballroom space in the Clarks Block, assuming the property owner has sufficient confidence in the availability of parking for additional tenants to rationalize the investment.

The building's current assessed value is \$85 per square foot, yielding \$1.11 per square foot in real estate taxes. Given this would be newly built-out space and would add marginally little to building operating costs, and not at all to common area, it is reasonable to assume a higher assessed value allocable to this space. While any such adjustment must be considered speculative, if a modest 25% premium is assumed for this space (an assessed value of \$107 per square foot, yielding \$1.39 per square foot in taxes), \$28,000 of new tax revenues would be generated.

**25 – 35 Main and 7 Summer Street.** The other proximate existing building often mentioned as a candidate for redevelopment catalyzed by construction of a Middlesex Deck are the buildings owned by JBG Corp. However, the potential for redevelopment of this property is less clear. Additional parking could allow for somewhat higher rent office tenants, though the increase in rent would be marginal and would entail releasing effort and cost. Alternately, the owner discussed having explored the possibility of converting upper level space in two of the buildings to residential. However, the nature of the buildings and cost of redevelopment (based on a preliminary construction estimate provided by the property owner) may well pose challenges to financial feasibility that appear to make this problematic for the foreseeable future.

**Missing Tooth Property (1 South Main Street)**. Redevelopment of this property has long been a goal of the Town. However, we do not consider redevelopment of this site likely to be a direct outcome of construction of a parking deck on the Middlesex lot. The site is too far removed from the Middlesex site for this to be a desirable off-site location for residential parking for a new project. While visually underbuilt relative to its prominent location, the current density, at an FAR of 0.8, and, especially, the assessed value – at \$1.1 million equaling almost \$3.9 million per acre, make the prospects for redevelopment highly problematic, especially given the limited room on this 0.29 acre site for on-site parking without losing valuable retail space and the limited capacity (based on site area, parking and height and density restrictions) for adding significant upper floor development. Neighboring properties between this site and the Pond Street lot also are built-out to a relatively dense level and appear to be well-occupied and in productive use, challenging a larger redevelopment which might warrant the required effort and take advantage of the ability to integrate the Pond Street lot. Accordingly, we consider realizing the goal of redevelopment of this site would require more than construction of a Middlesex Deck.

## Value Enhancement of Existing Buildings

It seems reasonable to assume that existing buildings, even if not redeveloped or substantially improved, would benefit from a significant addition to public parking supply, providing sufficient permit parking for office users in an improved facility as well as freeing up for retail use some on-street spaces that are currently used by office workers (either under permits or meter-feeding).

Vacancies could be reduced and attainable rents increased. The impact might be felt more strongly by income-producing rather than owner-occupied properties, but, as assessed valuations for both are based on a market approach assuming revenues and expenses characterizing income properties, the enhancement of real estate taxes likely would be broadly distributed. Estimating the impact on property income and assessed value and taxes is inherently speculative. An average increase of 10% applied to properties within the 500-foot primary impact area that might see increased taxes due to the parking deck<sup>4</sup> would yield \$24,000 of additional real state tax revenue.

This impact could ripple out from the primary impact area, as pressure is relieved on public parking more proximate to properties further removed from the Middlesex Deck site, likely yielding some additional tax benefit.

## Total Incremental Tax Revenues Potentially Catalyzed by Middlesex Parking Deck

The following exhibit presents net new annual real estate taxes totaling approximately \$200,000 to \$300,000 that could be generated by the new (re)development and value enhancement to existing building which could be catalyzed by the proposed Middlesex Deck. Additional tax revenues might accrue from value enhancement beyond the primary impact area and less readily foreseeable development over time. Detailed property information upon which the above estimates are based is presented in the exhibits at the rear of this memorandum.

### Potential Net New Annual Real Estate Taxes Catalyzed by Middlesex Parking Deck

<b>Potential New Development and Redevelopment Catalyzed by Middlesex Deck</b>	
Clarks Block Ballroom Redevelopment	\$28,000
Middlesex West	\$87,000 - \$118,000
South Avenue Lot Assuming Abatement @ public spaces = 150, 100:	\$33,000 - \$156,000
<b>Existing Buildings in Middlesex Deck Primary Impact Zone Considered Likely to Experience Value Enhancement</b>	
	\$24,000
<b>Total</b>	<b>\$172,000 - \$326,000</b>

Above estimates are for illustrative purposes and do not represent appraised values  
 Estimates are incremental taxes net of current taxes  
 RE Taxes at 2018 tax rate of \$13.05

<sup>4</sup> Excluding 13 and 17 West Central (Needham Bank Building) as these are assumed to be assessed at maximum value

## **Functional Mixed-Use Programming**

Given height constraints, and unless its site were to be significantly expanded, vertical mixed-use development above the Middlesex Deck site would not appear to make economic sense. The site would need to be integrated with other private property to yield significant private development.

A relatively small amount of liner use could be integrated with the parking on this site. Liner commercial space in the deck would have the advantage of immediately adjacent covered parking as well as the foot-traffic generated by those entering and exiting the deck (assuming such space was on the path of pedestrian circulation to and from the deck).

However, such liner space would be disadvantaged by its lack of frontage on Natick Center's major pedestrian and vehicular thoroughfares. If the liner were to front Summer Street, the synergy with TCAN could largely compensate for this, especially for a restaurant tenant, possibly supporting a target rent in the range of \$20 - \$25 per square foot triple net. Frontage on Middlesex Avenue would result in more problematic leasing prospects, perhaps resulting in tenancy by a service or office user, with rent perhaps more in the range of \$15 - \$20 per square foot triple net, with the lower end being a safer assumption.

Commercial space would optimally be somewhere in the range of 60 feet deep but, if parking configuration or concern about lease-up of a large amount of liner space indicate a lesser amount of space, a more linear lay-out with space only 30 feet deep would be workable. If the liner is on Middlesex Avenue, the 30-foot depth could provide the optimum balance of activation of the street frontage while minimizing leasing risk and intrusion on parking area.

It is also possible that two- to three-story townhouses (approximately 30 feet deep) could be the liner use, although this would impose a constraint on the dimensions of the parking deck extending to multiple levels of the deck.

To the extent the keystone portion of the Middlesex lot, fronting on Summer Street, is not required for parking spaces or access, it would be appropriate for small infill development of retail/restaurant, possibly with residential above. Design of the parking deck, to be undertaken in a following phase of this study, will determine whether and how much capacity would be available for such development and what level of land disposition and tax revenues that could generate.

**Single Use Multi-Family  
Density and Illustrative Supportable Land Cost , RE Taxes  
Per Acre**

Type Project	Stand-Alone Project		Project Benefitting from Adjacent Deck		Stand-Alone Project	
Parking Ratio, Type, Location	1.25- 1.3/unit all surface on- site	1.25- 1.3/unit all surface on- site	1.0/unit surface on- site; remainder shared use off-site	1.0/unit surface on- site; remainder shared use off-site	1.25- 1.3/unit podium+ surface on-site *	1.25- 1.3/unit podium+ surface on-site *
Floors	4	5	4	5	4	5
Podium	-	-	-	-	1	1
Res Floors	4	5	4	5	3	4
FAR	1.00	1.25	1.25	1.50	1.50	2.00
Site Area - Acres	1.00	1.00	1.00	1.00	1.00	1.00
Site Area SF	43,560	43,560	43,560	43,560	43,560	43,560
GBA	43,560	54,450	54,450	65,340	65,340	87,120
Units @ gross SF/unit=	1,100	40	50	50	60	60
<b>Supportable land cost/acre @ \$/unit =</b>	<b>\$50,000</b>	<b>\$2,000,000</b>	<b>\$2,500,000</b>	<b>\$2,500,000</b>	<b>\$3,000,000</b>	<b>\$3,000,000</b>
<b>Supportable land cost/acre @ \$/unit =</b>						
@ AV/unit =	\$ 200,000	\$8,000,000	\$10,000,000	\$10,000,000	\$12,000,000	\$12,000,000
RE Tax	\$13.05	\$104,400	\$130,500	\$130,500	\$156,600	\$156,600
<b>Units per acre allowed under Density Cap with Waiver</b>				46	58	46
<b>Supportable land cost @ AV/unit =</b>				<b>\$2,300,000</b>	<b>\$2,900,000</b>	<b>\$2,300,000</b>
<b>Supportable land cost @ AV/unit =</b>				<b>\$9,200,000</b>	<b>\$11,600,000</b>	<b>\$9,200,000</b>
RE Tax	\$13.05			\$120,060	\$151,380	\$120,060

Note: Above estimates are for illustrative purposes and do not represent appraised values

\* Density and supportable land cost may be increased with below-grade parking

**Single Use Multi-Family  
Density and Illustrative Supportable Land Cost , RE Taxes  
Middlesex West Potential Development**

	Stand-Alone Project		Project Benefitting from Adjacent Deck	
# Parcels in Assemblage	3	3	3	3
Parking Ratio, Type, Location	1.25-1.3/unit all surface on-site	1.25-1.3/unit all surface on-site	1.0/unit surface on-site; remainder shared use off-site	1.0/unit surface on-site; remainder shared use off-site
Floors	4	5	4	5
Podium	-	-	-	-
Res Floors	4	5	4	5
FAR	1.00	1.25	1.25	1.50
Site Area - Acres	0.985	0.985	0.985	0.985
Site Area SF	42,907	42,907	42,907	42,907
GBA	42,907	53,633	53,633	64,360
Units @ gross SF/unit=	39	49	49	59
<b>Supportable land cost @ \$/unit = \$50,000</b>	<b>\$1,950,000</b>	<b>\$2,450,000</b>	<b>\$2,450,000</b>	<b>\$2,950,000</b>
less AV of Assemblage	<u>(\$2,340,000)</u>	<u>(\$2,340,000)</u>	<u>(\$2,340,000)</u>	<u>(\$2,340,000)</u>
Surplus or (Gap) of Supportable Land Cost vs. AV	<b>(\$390,000)</b>	<b>\$110,000</b>	<b>\$110,000</b>	<b>\$610,000</b>
@ AV/unit = \$200,000	\$7,800,000	\$9,800,000	\$9,800,000	\$11,800,000
RE Tax \$13.05	\$102,000	\$128,000	\$128,000	\$154,000
<b>Units per acre allowed under Density Cap with Waiver</b>			46	58
# Units			45	57
<b>Supportable land cost</b>			<b>\$2,250,000</b>	<b>\$2,850,000</b>
less AV of Assemblage			<u>(\$2,340,000)</u>	<u>(\$2,340,000)</u>
Surplus or (Gap) of Supportable Land Cost vs. AV			<b>(\$90,000)</b>	<b>\$510,000</b>
@ AV/unit = \$200,000			\$9,000,000	\$11,400,000
RE Tax \$13.05			\$117,000	\$149,000

Note: Above estimates are for illustrative purposes and do not represent appraised values

\* Density and supportable land cost may be increased with below-grade parking

**Single Use Multi-Family with Podium Public Parking**  
**Density, Illustrative Supportable Land Cost, and RE Taxes After Structured Parking Premium**  
**South Ave Potential Development**  
**Assuming Podium Parking for Residential @ 1.0/unit & Shared Town Parking**

		Max Physical Capacity		Max Density based on Density Cap @ 5, 4 floors			
Floors		5	5	5	5	4	4
Podium *		1	1	1	1	1	1
Res Floors		4	4	4	4	3	3
FAR		1.88	1.88	1.85	1.85	1.85	1.85
Site Area - Acres		1.35	1.35	1.35	1.35	1.35	1.35
Site Area SF		58,632	58,632	58,632	58,632	58,632	58,632
GBA		110,228	110,228	108,469	108,469	108,469	108,469
Units/acre @		74	74	58	58	46	46
Units @ gross SF/unit=		100	100	78	78	62	62
<b>Supportable land cost @ \$/unit =</b>	<b>\$50,000</b>	<b>\$5,000,000</b>	<b>\$5,000,000</b>	<b>\$3,900,000</b>	<b>\$3,900,000</b>	<b>\$3,100,000</b>	<b>\$3,100,000</b>
@ AV/unit =	\$200,000	\$20,000,000	\$20,000,000	\$15,600,000	\$15,600,000	\$12,400,000	\$12,400,000
RE Tax	\$13.05	\$261,000	\$261,000	\$204,000	\$204,000	\$162,000	\$162,000
<u>Reqd Parking</u>							
Exclusive resi @ sp/unit =	1.00	100	100	78	78	62	62
<b>Town</b>		<b>150</b>	<b>100</b>	<b>150</b>	<b>100</b>	<b>150</b>	<b>100</b>
Total		250	200	228	178	212	162
Cost premium for podium vs. surface for dedicated resi parking @ \$/sp =	\$30,000	\$3,000,000	\$3,000,000	\$2,340,000	\$2,340,000	\$1,860,000	\$1,860,000
Cost of Town Parking @ \$/sp =	\$35,000	\$5,250,000	\$3,500,000	\$5,250,000	\$3,500,000	\$5,250,000	\$3,500,000
Total Cost Premium		\$8,250,000	\$6,500,000	\$7,590,000	\$5,840,000	\$7,110,000	\$5,360,000
less supportable land cost		(\$5,000,000)	(\$5,000,000)	(\$3,900,000)	(\$3,900,000)	(\$3,100,000)	(\$3,100,000)
Subsidy Gap		\$3,250,000	\$1,500,000	\$3,690,000	\$1,940,000	\$4,010,000	\$2,260,000
Reqd Annual Tax Relief @ dev cap rate =	7.0%	\$227,500	\$105,000	\$258,300	\$135,800	\$280,700	\$158,200
<b>Net RE Tax After Req'd Abatement</b>		<b>\$33,500</b>	<b>\$156,000</b>	<b>(\$54,300)</b>	<b>\$68,200</b>	<b>(\$118,700)</b>	<b>\$3,800</b>

Note: Above estimates are for illustrative purposes and do not represent appraised values

\* Podium may be supplemented by partial below-grade parking



## **ASSUMPTIONS AND LIMITING CONDITIONS**

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